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**TRADE FACILITATION AND INVESTMENT ACTIVITY
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**EIGHTH QUARTERLY REPORT
FOR THE PERIOD: June 1, 2003 through August 31, 2003**

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EXECUTIVE SUMMARY OF THE QUARTER

The Trade Facilitation and Investment Activity (TFI) continues its transition to the extension period. The effort is now focused on the reduction of specific barriers to trade and investment. This created significant shifts in terms of personnel and work plan. The significant effort put into institutional Customs strengthening has been replaced with specific interventions designed to resolve specific problems.

Some of the Key Results for the quarter include:

- In July the Central Asian Cooperation on Metrology, Accreditation, Standardization and Certification (CAC-MAS-Q) was formally established. Members of the cooperation are the four National Gosstandards in the region.
- 83-trained technical specialists in Central Asia that under the supervision of an internationally recognized lead assessor are eligible to participate in the accreditation of test and calibration laboratories in full compliance with the international standard ISO/IEC 17025
- Established the Ferghana Valley Cross-Border Trade Council comprising members of the public and private sectors from Osh, Jalal-Abad and Batken oblasts in Kyrgyzstan, Ferghana and Andijon oblasts in Uzbekistan and Sogd oblast in Tajikistan. Initial agenda of issues – barriers prepared in the second meeting of the Council.
- The Osh Mayor's office repealed a decree that obliged 104 retail food establishments to make monetary donations to a "Law and Order Fund".
- The Governor of Osh repealed a decree that subordinated all privatized silkworm producers in Osh Oblast to the control of the Osh Oblast Silkworm breeding farm and required export permits that cost unofficially \$500 each, in contravention of national legislation.
- As part of work completed under the 3rd Investment Matrix with TFI, the Secretariat and the Prosecutor's Office, 77 protests were issued by the Prosecutor's Office throughout the country (64 of which have been implemented). These protests requested the cancellation or revision of resolutions and other decisions of regional authorities that contradicted national legislation or created unjustified obstacles to entrepreneurs.
- Amendments to the law On Normative Legal Acts were passed by the Kyrgyz Parliament in June and signed by the President in August. These amendments require mandatory review and comment, cost-benefit analysis and greater justification for select regulatory acts initiated by all branches of the government.
- Land site acquisition in Almaty - The new system of cooperation among state bodies was developed, where unnecessary stages are eliminated. Specific times are defined and the total time reduced from between 6 months and 2 years to 3 months.
- Zoning in Almaty - The process took as much time as the land process, with 20-27 stages. The Almaty Akimat developed the new rules to change the purpose for which land can be used. The revised process has 7-8 steps and takes 3 months.
- Pharmaceuticals in Kazakhstan - Licensing of some types of pharmaceutical activity were delegated to regional bodies of pharmaceutical control of the

Pharmacy, Pharmaceutical and Medical Industry Committee. Previously, all the licenses were issued only by the Ministry of Health in Astana. This will dramatically reduce the amount of time that is required to acquire a license.

- In Uzbekistan, the draft Antidumping/Countervailing Duty law was submitted to the Parliament in August 26 incorporating significant recommendations made by TFI. The draft law passed the first reading, and will be presented for final approval in December.
- In Tajikistan, the Association of Road Carriers of Tajikistan “ABBAT” was approved by the International Road Union (Geneva) as a TIR guaranteeing agency in Tajikistan. TFI and ABBAT initiated efforts to develop TIR operations with a jointly sponsored training session on the benefits of the TIR system for traders, transporters, customs and police officers conducted in Khujand.
- Ten constraints reduced (5 in Kazakhstan and 5 in Kyrgyzstan).

REGIONAL

I. TRADE FACILITATION - CUSTOMS AND TRANSIT

Key Results

1. International Trade Conventions

In January 2003, TFI performed a review of the Customs commodity classification systems in use in Central Asia to ensure that all had adopted and implemented the 2002 version of the system. In addition, TFI provided training on the adjusted HS 2002 system and encouraged all countries to accede to the Convention on the Harmonized Commodity Classification and Coding System.

While for practical purposes, the HS has been applied in the Kyrgyz Republic (and indeed the other CARs) for a number of years, accession to the International Convention will include the Republics in the international system of commodity classification, which affords access / referral to the World Customs Organization on disputes pertaining to commodity classification and international trade data.

Kyrgyzstan has followed up on TFI's recommendation to accede and the matter is presently before the Parliament. In September, TFI will present technical briefings to senior trade administration officials and parliamentary representatives in the Kyrgyz Republic on benefits of accession to the HS Convention. It is expected that the Parliament will vote to authorize the Kyrgyz Republic to accede to the HS Convention in October. This will represent one more step into the international community for the Kyrgyz Republic and would not have happened without TFI support.

2. Customs Codes

Kyrgyz Republic

Over the last year, the TFI Project provided significant contributions of technical assistance on the development of the new draft customs code for the Kyrgyz Republic. The assistance related to helping to ensure that the provisions in the new Code are consistent with international conventions and best practices in trade administration (standards and recommended practices of the revised Kyoto Convention, and agreements and codes of the World Trade Organization).

TFI Project staff is an integral part of the Interdepartmental Commission for further consideration of the draft Customs Code, which produced the first draft of the new Code. The Kyrgyz Parliament will consider the first draft in October.

As a member of the WTO, the Kyrgyz Republic is obliged to produce a copy of its trade laws to the WTO in English. Kyrgyz officials have asked the TFI Project to assist in meeting this obligation and the first draft of the new Code was translated into English by the TFI Project. The final version of the Code, which is passed by the Parliament and introduced as law will also be translated into English for the Kyrgyz Republic.

Tajikistan

The TFI Project has been asked to participate in the Working Group, which is to begin consideration in October of the first draft of the new Customs Code in Tajikistan. Tentatively, the Tajik Parliament will consider the first draft of the new Code towards the end of 2003, with the aim of adopting a new Code by April-June 2004. Again, this technical assistance will involve ensuring that the provisions in the new Code are consistent with international conventions and best practices.

The work on the Customs Codes does not actually involve TFI working directly with administration officials to reduce or remove identified constraints. However, by ensuring that laws are put into place to govern the movement of goods across borders and through territories in accordance with international standards and best practices, we are removing a myriad of constraints in current policies, procedures and systems, and avoiding the imposition of inappropriate constraints in future policies, procedures and systems related to international trade in Central Asia. How we can measure this is rather more complex than the RIC components, but nevertheless, this activity is significant to the work of the TFI Project

3. Consultative Councils

Kazakhstan

At the invitation of the Customs Control Agency in Kazakhstan, the TFI Project is continuing to take an advisory role in helping to direct the Agency and private sector representatives to make the consultative process permanent and more effective in all the border-area oblasts.

In some oblasts (notably, Aktobe) the consultative process is now regular (monthly); council sessions are organized and chaired jointly between representatives of the private sector and the CCA. Agendas are also set jointly. In some oblasts, the consultative councils are seen as a primary initiative of the CCA; the TFI Project will continue to work to overcome this perception and to assist the private sector to be more active and assertive in engaging in the work of the Councils to identify, address, reduce and eliminate trade constraints.

The Chairman of the CCA asked the TFI Project's International Trade and Customs Consultant to become a permanent member of the national Consultative Council, and to attend and participate in all meetings. This is viewed as an important opportunity to help direct the work of the national Council in identifying constraints to trade, and in developing the capacity of the Council to address and resolve issues related to trade facilitation.

It should be noted that the objective of TFI Project support to the consultative processes is not primarily aimed at efforts to reduce constraints with and through the administrative authorities (although this objective remains a key part of our work) but *rather*, to build the capacity within the Councils themselves to accomplish the constraint reduction and removal process. A further objective is to help the other customs administrations in Central Asia, as in Kazakhstan, to develop such

consultative councils (in the Kyrgyz Republic and eventually in Tajikistan and Uzbekistan).

4. Cross Border Councils and Joint Border Commissions

Earlier this year, the TFI Project supported the establishment of the Cross Border Economic Development Council between Talas oblast of the Kyrgyz Republic and Jambyl oblast of the Republic of Kazakhstan. The 5th session of the Council was held in August.

In August and September in Osh and the Ferghana Valley, the TFI Project provided support to the development of cross-border councils to identify border constraints to trade and transit.

The Ferghana Valley Cross-Border Trade Council was established comprising members of the public and private sectors from Osh, Djalal-Abad and Batken oblasts in the Kyrgyz Republic, Ferghana and Andijan oblasts in Uzbekistan and Soghd oblast in Tajikistan. Two meetings of the council and one working group meeting were held in the first quarter where constraints to cross-border activity were identified and discussed. The last meeting was in Ferghana (Uzbekistan), August 13-14. An Action Plan for addressing the main constraints was developed and approved at this meeting.

Here again the priority is to work with the Joint Border Commissions, to build the capacity within the Commissions themselves, to accomplish the constraint reduction and removal processes.

5. Risk Management

The Key Result to be reported is the TFI Project's success in getting customs administration to agree to introduce Risk Management to facilitate legitimate trade and traders.

A critical element in modern trade administration is the development and introduction of a system of obtaining intelligence information from a variety of sources, and using that information to develop risk profiles of goods, traders, customs brokers, transporters, countries of export or production, and so on. This profile information is used to develop risk assessment criteria, which are applied at the time of import (or export) by a customs administration, to determine those shipments that represent no or low risk (in terms of non-compliance with trade law) and can receive expedited clearance service at border or airport offices at the time of importation.

Three customs administration in Central Asia have asked us for assistance in developing such a risk management programs.

We are collaborating with the World Bank to provide this activity. A regional Workshop will be delivered the week of November 10, 2003.

The TFI Project is bringing a European expert to lead the Workshop, and will be funding the participation of customs officials from all four of our client countries.

The World Bank is bringing a Russian expert, who will provide input on how the risk management system is being developed in the Russian Federation.

Following the Workshop, the TFI Project is planning further collaboration with the World Bank in organizing a follow-up study tour in Turkey for customs officials from Central Asia to see first-hand how a modern risk assessment system operates.

Subsequently, the TFI Project assisted customs officials (mainly in Kazakhstan and the Kyrgyz Republic) to develop and implement their own risk management programs.

6. Public Integrity in Trade Administration

The TFI Project (formerly the TIP) has spent a considerable amount of resources over the last three years on helping customs (particularly in Kazakhstan) on developing plans and introducing measures to promote integrity in public administration (anti-corruption).

In the last year, we helped the Customs Control Agency (CCA) implement a system of appeals for traders. This is in keeping with the revised Kyoto Convention provision under which a customs administration is obliged to offer transparent, low-cost and timely appeal provisions to traders to settle disputes on fiscal assessments. We conducted these appeals seminars and training courses throughout the country – in virtually all of the border oblasts. The seminars were given to over 1,000 business representatives.

In June, we conducted appeals seminars in Shymkent and Taraz (attended by over 200 business representatives in total, as well as customs officers).

7. Intellectual Property Rights Enforcement

Two customs administrations (Kazakhstan and the Kyrgyz Republic) have asked our assistance in organizing practical training on the enforcement of WTO standards with respect to intellectual property rights. The theory of the WTO Agreement on IPRs is fairly easy to understand (no training required there) but the administration of those standards is quite complex.

TFI has arranged for the World Intellectual Property Organization (WIPO) to lead a regional seminar next April in Almaty for all four countries. We are bringing customs officials, officials from the national patent/copyright offices, and commercial court judges from all four countries. WIPO is funding the travel and all other expenses to bring international experts, including likely expertise from the World Customs Organization, to lead the seminar. The TFI Project will be responsible for funding the participation of the nationals (14 from Kazakhstan, 8 from the Kyrgyz Republic, 4 from Tajikistan, 4 from Uzbekistan). The TFI Project' commitment to the seminar would be in the range of \$13,500. It is also likely that WIPO will fund a follow-up study tour for selected national officials – most probably to Europe.

II. TRADE FACILITATION - METEROLOGY, ACCREDITATION, STANDARDIZATION AND QUALITY (MAS-Q)

Going into the new contract year, the MAS-Q assistance program is focusing on improving trade facilitation and market access by creating awareness of international MAS-Q norms, promoting the benefits of international standards and mutual recognition of certification and accreditation procedures. All of the elements of the MAS-Q program are designed to elevate present Central Asian MAS-Q national infrastructures and legislation to a level that will be internationally recognized, accepted and WTO compliant.

Progress Achieved

Regional

Assessor Qualification Training for Laboratory Accreditation in Accordance with the International Standard ISO/IEC 17025

Technical specialists (95 from the public and private sector) from the Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan participated in phase (class room) one. This 5 day training course was held in Kazakhstan and repeated in Uzbekistan. The specialists were trained as laboratory accreditation auditors in accordance with international requirements. 63 specialists passed phase one and went on to complete phase (practical) two, a 3-day program. In addition, 20 specialists that had previously participated in phase one conducted in August 2002 were trained and completed phase two. There are now 83-trained technical specialists in Central Asia that under the supervision of an internationally recognized lead assessor are eligible to participate in the accreditation of test and calibration laboratories in full compliance with the international standard ISO/IEC 17025.

A Database containing all regional technical specialists that have successfully completed the above training has been completed and provided to the four national accreditation bodies in the region. This will facilitate the use of regional assessors that are qualified to perform accreditation in all Central Asian countries.

Central Asian Regional Cooperation MAS-Q

In July the Central Asian Cooperation on Metrology, Accreditation, Standardization and Certification (CAC-MAS-Q) was formally established. Members of the cooperation are the four National Gosstandards in the region. Mr. B. Davlesov, the Director of Kyrgyzstandard has been elected Chairman, with TFI's Senior MAS-Q Advisor appointed as Technical Advisor, TFI's senior local advisor has been appointed Executive Secretary. The Executive Committee (Management Body) has been established, the Directors of the four national Gosstandards were appointed to the committee along with the Technical Advisor and Executive Secretary. In addition, four major Technical committees were created: Metrology, Accreditation, Standardization and Professional Development.

The Executive Secretary has drafted the by-laws for the new CAC- MAS-Q. TFI obtained and provided copies of By-Laws of similar regional cooperation's that were

used as a model. Final drafts of by-laws, and charters for all technical committees will be available for the next CAC-MAS-Q meeting (proposed Nov 2003.)

Training

As agreed in the Memorandums of Understanding signed with individual Gostandarts, TFI is providing technical English language training to improve the ability of personnel to read, interpret and use technical standards and terminology in order to communicate and participate more fully and effectively in international metrology, accreditation, standards and conformity assessment (MAS-Q) activities. The program is operating in Kyrgyzstan and Tajikistan and is scheduled to start during the coming quarter in Kazakhstan.

MAS-Q Team

The MAS-Q regional team now includes:
Director, Ed Nemeroff, an engineer and internationally recognized MAS-Q expert
Deputy Director, Svetlana Zhanaidarova, a Physicist, Lawyer and PhD Candidate specializing in Technical Regulations and the WTO -TBT/SPS agreements
MAS-Q Specialist, Rustambek Djalbiev, a Mechanical engineer and Economist

National

Kyrgyzstan

Law on Technical Regulations

It is anticipated that the final draft of the Law on Technical Regulations will be submitted to Parliament in December, the President is expected to personally sponsor the law.

Compliance with international Standards

Kyrgyzstandard has started implementing the transition plan developed together with the MAS-Q team, to date, this month they have:

1. Accepted/adopted the ISO "Code of Good Practice" and provided official notification to the WTO;
2. By written order of the Director, 184 mandatory standards concerning terminology and testing methods had been eliminated and 6,039 mandatory standards have been made voluntary.

Market Driven

By written order of the Director, a team consisting of members of the major departments of Kyrgyzstandard and Pragma has been formed to develop a "Market Survey" to determine the needs of private and public sector organizations in the area of MAS-Q. Kyrgyzstandard, based on the results of the survey will proceed with the development of services, technology and support needed to improve product quality and reliability, modernize manufacturing processes to facilitate rapid

commercialization and international market acceptance of Kyrgyzstan goods and services. A draft survey has been completed.

Restructure of Kyrgyzstandard

Kyrgyzstandard has reviewed and started to prepare for implementation of the Transition Plan. They will address first those items that can be completed before the passing of the Law on Technical Regulations.

Uzbekistan

Request for assistance

A formal MOU was agreed and signed between Uzstandard and Pragma to provide technical and legal assistance and cooperation in the area of MAS-Q Felipe Urresta (short term Consultant) completed a Recommended Preliminary Work Plan for Developing and Implementing a MAS-Q system that will be internationally recognized and comply with the WTO –TBT and SPS Agreements.

New Law on Technical Regulations: A working group meeting took place in for the drafting of the law on Technical Regulations. S. Zhanaidarova has been appointed to the group. She provided a list of comments and recommendations. Based on her report to the working group, 13 of her recommendations were incorporated in the 2nd draft version.

Kazakhstan

General Comment: There has been a major change in relationship between Gosstandard and the MAS-Q program, this can be attributed to the meeting held at Gosstandard with the new Chairman, members of USAID and the MAS-Q team.

E. Nemeroff and S. Zahaidarova were invited to participate in a working group meeting on drafting of the new law on Technical Regulations. S. Zhanaidarova has been appointed a member of the writing group other members include government and industry representatives. At the request of the working group, she developed a questionnaire entitled "What is the purpose of the law." It was distributed to the group and discussed, based on the responses, the "purpose" of the law is now agreed by members of the working group, we are using the draft law of Kyrgyzstan as a model.

Meetings attended

1. Euro-Asian Council for standardization, Metrology and Certification, countries represented: Russia, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Ukraine and Belarus. EN and SZ were invited to participate based on our MAS-Q program
2. International Trade Centre, - PP, EN attended, objective- joint cooperation
3. US Navy, Boeing Corporation, EN and Larry Yates met with representatives to review status of proposed donation of calibration and scientific instrumentation. We expect to have contracts from each during September for

cost of calibration and preparation for shipment of donated equipment to Central Asia

4. Meeting at Scientific and Research Institute of Standardization, Metrology and Certification (Uzbekistan) *Director of Institute Mr. Abbass Umarov* Subject: Introduction, information interchange, the main requirements of the institute
5. Kazakhstan's Transition to the International Technical Regulation, discussion of conception of law "On Technical Regulation"
6. Kazakhstan -Gosstandard, meeting of working group on law "On technical regulation"
7. JSC Kazak Institute of Oil and Gas, Subject: Requirement from Technical committee on standardization in oil and gas industry

III. TRADE FACILITATION – WTO ACCESSION

PLEASE SEE COUNTRY SECTIONS FOR TAJIKISTAN, KAZAKHSTAN AND UZBEKISTAN

IV. FERGHANA VALLEY

The Governor of Osh oblast repealed a resolution in June that will reduce the duplicative controlling functions of the Sanitary Department (SES) and the Veterinary Departments in Osh oblast. The repeal means that in Osh oblast only SES and Veterinary laboratories that have been properly accredited by Kyrgyzstandart will certify the safety of vegetable products. Further, competing SES and Veterinary Labs will not certify in the same markets. This not only reduces an investment constraint but also provides greater assurances of public health and safety, since previously many labs were certifying products without providing appropriate testing and without possessing proper accreditation. The anticipated result for entrepreneurs is that they will spend less time and money acquiring the safety certificate required to sell non-animal food products in Osh marketplaces.

In June, the Osh Mayor's office repealed a decree that obliged retail food establishments in Osh to make monetary donations to a "Law and Order Fund." The decree even contained an appendix with the names of 104 food service businesses that were subject to the resolution.

In June, The Governor of Osh repealed a decree that subordinated all privatized silkworm producers in Osh oblast to the control of the Osh Oblast Silkworm breeding farm. This government organ had been issuing permits to sell and export silkworms, in contravention of national legislation. The unofficial cost of an export permit was approximately \$500 USD. Furthermore, the Osh Oblast Silkworm breeding farm arranged trade deals for private farmers without their approval, obligated those farmers to engage in the pre-arranged trade deals and set quotas of cocoon production. The repeal means that private silkworm farmers are no longer illegally subjected to unjustified time and expenses associated with receiving sale and export permits from the Osh Oblast Silkworm breeding farm.

TFI completed a survey to measure entrepreneurs' perception of the business environment in 3 oblasts of Ferghana Valley. Over 300 entrepreneurs participated. The results will be used to target areas for constraint reduction and to provide baseline figures for measuring future progress.

TFI completed import and export procedure maps for Kyrgyzstan, Tajikistan and Uzbekistan.

TFI mapped transit and customs procedures at Dostuk/Dostlik Customs Post in Osh Oblast.

TFI completed 3 educational seminars on transit, customs and cross-border issues in Batken, Osh and Djalal-Abad Oblasts (Kyrgyzstan).

TFI established the Ferghana Valley Cross-Border Trade Council comprising members of the public and private sectors from Osh, Djalal-Abad and Batken oblasts in Kyrgyzstan, Ferghana and Andijan oblasts in Uzbekistan and Soghd oblast in Tajikistan. Two meetings of the council and one working group meeting were held in the first quarter where constraints to cross-border activity were identified and discussed. An action plan for addressing the main constraints was developed and approved at the second meeting.

Approval was received from Tajik Ministry of Justice to install Business Registration Information Boards at local Ministries of Justice in Soghd Oblast.

Approval was also received from Ferghana Oblast Customs Department to install customs and transit information boards at five border crossing points in Ferghana Oblast. The boards will contain information on individual crossing procedures and customs clearance of commercial freight.

MOU signed with the Ferghana Women's Business Association and SBDC Consult in Djalal-Abad in which Pragma agrees to provide technical assistance to the associations in developing educational seminars for local entrepreneurs and establish information centers in rural communities in the Ferghana Valley (contingent on Eurasia funding, which is anticipated).

Osh Governor Kasiev signs decree establishing Osh Business Development Center as a legal entity and permitting it to engage in resource generation activities.

Reduction of Trade and Investment Constraints

Throughout the first quarter a series of focus groups and roundtables were held throughout the Ferghana Valley in order to identify additional constraints for reduction. In Osh and the Ferghana Valley constraints focused primarily on cross-border trade and locally created permits and requirements. In Ferghana an additional constraint related to redundant registration requirements for EAN International Bar Codes by Uzbekstandart was identified. In Khujand, constraints related to business registration and Tajikstandart certification procedures were identified.

The Pragma office in Osh has agreed to work with the Secretariat to establish a working group to prepare, in compliance with the Law on Normative Legal Acts, procedures for drafting, reviewing, and adopting business regulations at the local level. The outcome of the working group will be a set of procedures and guidelines that will permit a period of public review and commentary of proposed business regulations as well as internal audits to identify and block draft legislation that is in violation of the On Normative Legal Acts or national legislation or otherwise creates trade barriers.

The Pragma Osh office, in conjunction with the Trade Facilitation Team, will begin a series of seminars and roundtables in the South on the TIR system and work with local transport companies to increase TIR usage and TIR certified transporters in the South.

Progress Towards PMP

Osh:	3 Constraints Reduced or Removed
Andijan:	0 Constraints Reduced or Removed
Ferghana:	0 Constraints Reduced or Removed
Khujand:	0 Constraints Reduced or Removed

KYRGYZSTAN COUNTRY REPORT

Key Results- RTIC

- Established the Ferghana Valley Cross-Border Trade Council comprising members of the public and private sectors from Osh, Jalal-Abad and Batken oblasts in Kyrgyzstan, Ferghana and Andijon oblasts in Uzbekistan and Sogd oblast in Tajikistan. Two meetings of the council were held in the first quarter where constraints to cross-border activity were identified and discussed. An action plan for addressing the main constraints was developed and approved at the second meeting.
- Completed a survey to measure entrepreneurs' perception of the business environment in 3 oblasts of Ferghana Valley. Over 300 entrepreneurs participated. The results will be used to target areas for constraint reduction and to provide baseline figures for measuring future progress.
- In June the Osh Mayor's office repealed a decree that obliged retail food establishments in Osh to make monetary donations to a "Law and Order Fund". The decree even contained an appendix with the names of 104 food service businesses that were subject to the resolution.
- As part of work completed under the 3rd Investment Matrix with TFI, the Secretariat and the Prosecutor's Office, 77 protests were issued by the Prosecutor's Office throughout the country (64 of which have been implemented). These protests requested the cancellation or revision of resolutions and other decisions of regional authorities that contradicted national legislation or created unjustified obstacles to entrepreneurship.
- Under a World Bank grant developed jointly with TFI and the Secretariat, an expert was retained in the first quarter to help develop a basic methodology for conducting Regulatory Impact Analysis (RIA) to be employed by the private sector as an advocacy tool. Working together with TFI and a team of local experts, a methodology was developed and several analyses performed, one on recent changes in social fund payments and their impact on business and investment, and another on recent regulations introduced by the State Tourism Commission.
- The Governor of Osh oblast repealed a resolution in June that will reduce the duplicative controlling functions of the Sanitary Department (SES) and the Veterinary Departments in Osh oblast. The repeal means that in Osh oblast only SES laboratories that have been properly accredited by Kyrgyzstandart may certify the safety of vegetable products. This not only reduces an investment constraint but also provides greater assurances of public health and safety. As a result, entrepreneurs will spend less time and money acquiring the safety certificate required to sell non-animal food products in Osh marketplaces.
- Amendments to the law On Normative Legal Acts were passed by the Kyrgyz Parliament in June and signed by the President in August. These amendments

require mandatory review and comment, cost-benefit analysis and greater justification for select regulatory acts initiated by all branches of the government. This is a significant step forward in TFI's efforts to introduce greater transparency, openness and fairness into the legislative process.

- The 4th Investment Matrix to support the attraction of foreign investment was approved in August by Presidential decree. The TFI was instrumental in preparing particular tasks for the section on Deregulation of Business Activities, among others. The key areas included:
 - To develop a concept on Deregulation. The main directions of Deregulation Reform should be reflected in this concept.
 - To undertake further steps on Technical Regulation Reform.
 - To continue the work started in Matrices I, II and III on reforming the system of licenses and permits.
 - Reform of the procedures for conducting government inspections of business activities.
 - Implement administrative and law-drafting reforms recently approved by Parliament.
- In June, the Government approved and submitted to Parliament amendments to the law On Licensing that would extend the validity of licenses to no less than 5 years (currently 2 years) and require any changes to licensing policy to come into effect only after 2 months from the publication of the approved changes. These amendments are pending in Parliament.
- TFI experts, together with members of the Secretariat, Bearing Point and the IMF, were able to successfully stop an initiative by the Revenue Committee (RC) under the Ministry of Finance to assume all the functions of registering legal entities. The RC was attempting to consolidate all registration functions within the tax administration. The new procedures they proposed, however, in the opinion of the TFI and others, would greatly complicate the registration process for legal entities and significantly raise the cost of registration to both government and the private sector.
- In August, amendments to the law On the Criminal and Administrative Codes of KR" was passed. These amendments were developed in an effort to implement Point 3.1 of the 1st Investment Matrix ("Enforce administrative and criminal code legislation for abuse by government inspectors and inspecting bodies"). The new law now includes administrative and criminal penalties for violations and abuses by members of government, including imprisonment.

Results - Kyrgyz MAS-Q

- A draft transition plan for the reorganization of Kyrgystandard was developed and presented to Kyrgyzstandard in June. A transition team was formed and certain milestones already achieved including cataloging of all standards and the identification of approximately 6,000 standards for cancellation.

- The draft law On the Fundamentals of Technical Regulation was further refined in the first quarter and is ready for introduction to Parliament.

Results - Kyrgyz - WTO

- In June the Government adopted a resolution to reestablish the Interministerial Commission (IC) under the Government of the Kyrgyz Republic on World Trade Organization Issues. The Resolution was developed by TFI experts and the Ministry of Foreign Trade and Industry and represents a major step forward in ensuring fuller WTO compliance, increased awareness and interest in WTO (its opportunities and obligations) among responsible government agencies and the private sector, and in the development of trade policy that considers all interests. The Resolution approves the members of the IC, its rules and procedures and the responsibilities of each member under the relevant WTO agreements. A key feature of the IC is that it also includes members of the private sector as observers, which not only offers a voice to the private sector but an opportunity for them to learn of the status of ongoing trade negotiations with other countries. The significance of this was apparent at the first meeting of the IC organized by the TFI. Both sides provided valuable information to the other and the resulting action plan they developed embraced the principle of public-private cooperation and dialogue.
- TFI organized a seminar under the auspices of the Talas-Djambul Cross-Border Council in June to discuss issues of taxation and technical regulations and their impact on cross-border trade. Over 50 people attended from both Kyrgyzstan and Kazakhstan. A key result of the seminar was the agreement by the Gosstandards from both sides of the border to recognize each other's certificates of conformity, which reduced one of the key constraints identified by the participants.

Upcoming Activities - RTIC

- Throughout the first quarter a series of focus groups and roundtables were held in Bishkek, Chuy oblast and throughout the Ferghana Valley in order to identify additional constraints for reduction. In Osh and the Ferghana Valley constraints focused primarily on cross-border trade and locally created permits and requirements. In Bishkek/Chuy additional constraints were identified in the following sectors:
 - Tourism
 - Pharmaceuticals
 - Bakeries
 - Outdoor Advertising
- The TFI is now developing a trade constraints methodology that will allow it to systematically map cross-border procedures and select constraints for reduction that will have the greatest impact. Initial maps have already been produced for FV.
- As part of the work assigned under the 4th Investment Matrix TFI will continue working in at least two regions of the country to identify normative

acts (national and local) that are either illegal, unjustified or improperly implemented. This is a continuation of the work started under the 3rd Investment Matrix. With the inclusion of national acts in addition to local acts we expect this work to yield similar results in the coming quarter.

- Also under the 4th Investment Matrix the TFI will continue its work to reform the process of land and site development with the USAID Land Reform Project. The government did not accept the recommendations made last quarter and further work to push these reforms is necessary.
- The focus at the national level will remain on introducing improved administrative and law drafting procedures and implementing the recently approved amendments to the law On Normative Legal Acts that offer an excellent opportunity to create transparency and openness in the legislative process.
- TFI will also introduce further amendments to the law On Licensing in order to insure it becomes the single law of the KR on licensing entrepreneurial activities. This should help eliminate discrepancies with other laws of the Republic and with the extensive system of permits that regulate the same activities.

Upcoming Activities – Kyrgyz MAS-Q

- The TFI expects to submit the draft law On the Fundamental of Technical Regulation to the President's Commission on Technical Regulation Reform. The President himself has indicated a willingness to introduce the draft to Parliament, which the TFI fully supports.
- Under the 4th Investment Matrix work will begin on the implementing regulations required to implement the law On Technical Regulations. This would include developing a list of products subject to mandatory conformity assessment and import procedures for such products.
- The MAS-Q working group will also promote the official recognition by the government of the Kyrgyzstandard transition plan.
- Implementation of the Kyrgyzstandard transition plan will continue with additional standards earmarked for elimination and the completion of a needs assessment survey of local businesses with the participation of Kyrgyzstandard personnel.

Upcoming Activities – Kyrgyz WTO

- TFI will focus its efforts on strengthening the capability of the new Interministerial Commission on WTO Issues (IC) to identify and reduce barriers to trade, while continuing to promote WTO compliance. During the

previous quarter the IC met on three occasions to discuss its work plan until through 2003. With the assistance of TFI experts and the participation of the private sector several key legislative constraints were identified, namely:

- procedures for acquiring import/export licenses
- alcohol imports and licenses
- prohibition on molasses exports
- pricing of pharmaceutical imports

Additional constraints will be identified through cooperation with cross-border councils throughout the coming quarter.

Progress Toward PMP

Constraints removed

National: 2

Local: 3

Other Issues

- Passage of the Technical Regulation law will require strong political support from both USAID and the U.S. embassy through the intervention of the new ambassador. Though the President has expressed a willingness to introduce the law directly to Parliament, there are still risks this will not occur. We recommend the importance of this reform be reiterated at the highest political levels.

KAZAKHSTAN COUNTRY REPORT

KEY RESULTS

The most significant results in this quarter are the three new rules approved in Almaty by Akim's Resolution #4/386 dated July 7, 2003. This removed the following three constraints:

1. Land Site – Almaty (3)

Doubling of the stages. The new system of the state bodies cooperation was developed, where unnecessary stages are eliminated

The time for documents' consideration at each stage was not determined. Now the time is clearly defined in the Rules.

It took from 6 months to 2-3 years According to the new Rules the whole process takes 3 months.

2. Zoning (1)

The process took as much as the land process, it was necessary to pass all 20-27 stages. The Almaty Akimat developed the new Rules on authorized state bodies cooperation when registering the rights on the land cites because of the change of the purpose of their usage" (zoning). The whole process consists of 7-8 stages and takes about 3 months now.

Pharmaceuticals: The authorities on licensing of some types of pharmaceutical activity are delegated to the territorial bodies of pharmaceutical control of the Pharmacy, Pharmaceutical and Medical Industry Committee. Previously, all the licenses were issued only by the Ministry of Health in Astana. This will dramatically reduce the amount of time that is required to acquire a license.

Progress toward the PMP (number of constraints removed);

A total of 5 constraints were removed at a national level.

Other issues

The new Vice Minister of WTO Accession has taken her place in office and attended the meetings in Cancun. During the meeting, it was decided that the Department would hold a series of seminars across Kazakhstan in conjunction with the Federation of Employers.

After having spoken with the Director and Deputy Director, it is now clear that the new personnel in this department are open to work with USAID/Pragma in a much more substantial manner than in the past. Currently they are awaiting the first high-level meeting between Mary Norris and the Vice-Minister before we can proceed. The Almaty Association of Entrepreneurs is conducting an in-depth study of the Administrative Code. We feel that the code is the main legislative cause for the negative impact inspections have on the small business community. Currently there

are no government departments awaiting the results of this survey, although the results will be presented during the Forum of Entrepreneurs. We expect that this issue will need to be pushed hard, and that success in reviewing the code will result in a large number of inspections processes being substantially improved.

Opportunities to collaborate with several other USAID partners are appearing. The most significant two are the opportunities to work with IREX in introducing opportunities to use the internet to improve investors' interactions with the government. IREX has offered the use of its facilities and trainers, while Pragma is offering to design the curriculum. The output would be increased use of electronic government.

The second opportunity is to work with the Urban Institute on their small cities pilots in Almaty and Kostanai oblasts. Many of the participants in their program indicated the desire for economic reform. Pragma has agreed to provide models for removing constraints to these cities.

TAJIKISTAN COUNTRY REPORT

Key Results

Increased coordination among the governmental agencies involved in the business registration process. Currently, each agency involved in the registration process has its own regulations that are not coordinated with the others involved in the process. Certain agencies even doesn't have one, although maintain a registration related authority. Continuing the same approach the Ministry of Justice has developed a new draft implementing regulations that dealt only with the registration issues related to the Ministry itself, whereas coordination and matching of the procedures among the agencies involved were left out. Coordination among the governmental bodies is a key in simplifying and improving the registration process. TFI team was able to encourage all the relevant agencies to agree to form a working group that will develop an implementing regulation that will cover entire process of the registration including the matters of coordination between all the involved parties. Ministry of Justice initiated establishment of the working group and all the agencies dedicated one person from each agency to work in the working group to develop a single registration regulations. TFI will continue to work with this group.

The Anti-Monopoly Agency of Tajikistan has developed a draft Decree of the President and circulated it for comments among the ministries and agencies. The draft decree states that reduction of administrative barriers is one of the most important priorities of the government's economic policy and introduces important principles aimed at reducing administrative barriers to growth of businesses. This draft decree was initiated by Mr. Davlatmurod Jumaev, Head of the Department for Support of Entrepreneurship of the Anti-Monopoly Agency, as a result of his participation at the Study Tour to Kyrgyzstan organized by TFI in May 2003. The draft Decree was similar to the Decree #100 of the Kyrgyz President that was adopted with the support of TFI Bishkek office. If adopted, this decree will bring significant political support for TFI RIC efforts in Tajikistan. *RIC*

During the reporting period TFI/Dushanbe team focused on establishing necessary contacts and working relationships with Tajik government counterparts that are key for implementation of the newly launched RIC component for Tajikistan. Then, as an initial step thorough analysis of the existing situation in the areas selected as RIC focus areas in Tajikistan were conducted. Business registration and licensing of business activities were the areas worked on during the quarter. These analyses involved both review of the legislation and survey of businesses and government agencies.

Business Registration. Joint plan of activities were agreed with Tojinniso Asisova, the Deputy Minister of Justice and Shafkat Mustafakulov, Head of the Registration Department of the Ministry of Justice. This plan included: (i) conducting analysis of the existing registration system in Tajikistan; (ii) organizing a round-table discussion on reforming the registration system with participation of all the agencies involved in the registration process; (iii) improving coordination among the agencies through

establishing a working group for development of the new implementing regulations on business registration; (iv) drafting implementing regulations; (v) conducting trainings on the new registration procedures; (vi) monitoring the implementation during the initial period. So far first three elements of the plan have been completed. Survey of registration procedures among businesses registered before and after the new Registration Law became effective with the purpose of identifying actual time consumed, official and officials costs, number of agencies involved etc was finalized. The survey covered 100 businesses both in Dushanbe and in Soghd oblast. As a result of the survey and analyses a registration system reform chart was prepared. This chart describes where the current registration system stands with respect to average number of days spend to register the business, number of agencies involved and a total number visits to all agencies, average costs, number of documentation required and etc. This chart is intended for use as a reference point as the reform of the business registration goes on and for evaluating the progress against the current system. Analyses and survey results were presented to the Ministry of Justice and the members of the working group for development of the implementing regulations. Organized a round-table discussion of the business registration reform with participation of representatives of Ministry of Justice, State Statistics Committee, Ministry of Revenues, Ministry of Finance, Ministry of Interior, as well as representatives of business associations. Participants adopted resolution with recommendations for reforming the registration system and establishment of the working group for developing new implementing regulations on business registration.

Licensing. The team is working jointly with the Legal Department of the President's Office in reforming the business licensing regime in Tajikistan. Round table discussion of the draft licensing law developed by the parliament members was conducted. Over 55 representatives of the government institutions, international organizations, business associations and private sector took part in the discussion. The participants of the round table noted that the key condition for the development of economy is strengthening the activity of enterprises, removing the administrative barriers, creating maximum of favorable conditions for the development of entrepreneurship, transparency of information, and involving private sector to the discussion of the draft law. It was agreed that the president's Executive Office in cooperation with the Parliament of RT would create a working group to improve the draft law. This group has not been established yet. Following the Round-Table the Project team conducted review of the existing licensing system in Tajikistan. This included survey of businesses and analyses of the legislation. Analysis discovered significant number of licensing requirements introduced by individual ministries and agencies and that there is no transparency. There is a vital need for developing and introducing common principles of licensing through a law on licensing. This law is aimed at bringing all the licensing requirements under control and will give guidance for the license issuing procedures by all the ministries and agencies issuing licenses. It was agreed with the President's Legal Department that TFI team will work with the working group on licensing once it is established to redraft a new licensing law of Tajikistan. Given the efforts already undertaken, it is suggested that the licensing reform to be included in the work plan.

WTO

The accession process of Tajikistan to the WTO was slightly slowed down due to the delays related to busy schedule of the WTO in connection with the Doha Round of Negotiations and preparations to the Cancun Ministerial Conference. The first round of Tajik accession negotiations is unlikely to happen before February 2004. Mr. Clyde Kull, Ambassador of Estonia to the WTO was nominated as a Chairman of the WTO Working Party on Accession of Tajikistan but has not been approved by the General Counsel. Therefore, the WTO accession Working Group members and other ministries and agencies were given time until October 2003 to provide their first drafts of the WT/ACC documents and replies to questions. The team will start reviewing them once it is submitted to the Ministry of Economy and Trade. TFI previously provided trainings to representatives of the various ministries and agencies on preparation of the ACC documents. Questions from the USTR to the Tajik Foreign Trade Memorandum still have not been submitted yet, but according to Rachel Shubb from USTR/Geneva, Robert Kasper from USTR in Geneva will prepare questions because Washington has no time to do it. Ministries and agencies were requested to prepare their first drafts in October 2003.

Mr. Isroil Mahmudov, Head of the WTO accession group and other officials participated at the Issyk-Kul Conference on Regional Trade Cooperation.

Customs and Transit

Established contacts with Mr. Aslam Akramov, the new Chairman of the Customs and with Mr. Hakim Tilloev, Deputy Minister of Revenues of Tajikistan and introduced the TFI project and agreed on further collaboration.

Following the acceptance of the Association of Road Carriers of Tajikistan “ABBAT” by the International Road Union (Geneva) as a TIR guaranteeing agency in Tajikistan, TFI started cooperating with the association to initiate TIR operations in Tajikistan. Awareness of the benefits of the TIR system among the traders, transporters, customs and police officers and other government agencies was the main subject of the Conference and TIR training conducted in Khujand jointly between TFI and ABBAT.

Progress toward the PMP

No constraints have been removed yet.

Other issues

Current discussion between USAID and SECO (Swiss) needs to be continued for better coordination of WTO accession support efforts.

UZBEKISTAN COUNTRY REPORT

Key Results

TFI Ferghana held a round table in Ferghana in conjunction with TFY Osh and Khudjant. It could be as a possible benchmark to continue to hold such round tables in the future during the upcoming quarter.

Another benchmark is to hold a seminar on Legislative Drafting on a regional level. The approximate timing proposed by TFI Tashkent is January 2004.

It's in TFI's plans to continue to provide recommendations/analysis/review to the GOU on the local legislation, including ACC-5 and ACC-4 forms for the next Working Party Group in Geneva.

In June 2003, TFI conducted the Intellectual Property Rights Enforcement seminar in Tashkent in conjunction with the Uzbek State Patent Agency during June-26-27. The Seminar took place at the Patent Agency with the audience of 65 people. Participants included the representatives from various law enforcement agencies, including government, NGOs, ministries, courts, prosecutor's office, customs office, private law firms, judges, academicians, students. Leading experts in the field of IPR were invited as speakers at the seminar. Special publication including all the presentations and supporting materials were published for the participants. This training was designed to address specific remedial steps that Uzbekistan could take regarding the complaint filed against Uzbekistan that threatened its GSP status with the U.S. The seminar also set out the TRIPS requirements for WTO succession and what needed to happen legislatively and on the implementation side for Uzbekistan to comply. TFI experts from Dushanbe and Bishkek also participated as main speakers. It was the first IPR seminar on the issues of enforcement in Uzbekistan.

TFI coordinated a public seminar with the head of the International Organization on Standards (ISO), developing country program, on the TBT/SPS requirements of WTO and its implications for Uzbekistan.

Between May and June 2003, TFI submitted an ACC-9 form for the GOU based on review of the local legislation and WTO standards. Based on TFI review and comments on the ACC 9 a package of recommended amendments to local legislation was prepared (to the Civil Code, the Criminal Code, and the Copyright law.) The amendments are currently in the Parliament awaiting action.

During June and July 2003, TBT (Technical Barriers to Trade) Check List - TFI sent documents to AFER on legislative amendments.
SPS – TFI sent comments to AFER.

In July 2003, TFI submitted the answers and recommendations (160 questions) to the GOU answers to the US questions, together with the English translation of the GOU answers. the TFI team has reviewed other aspects of the trade regime.

TFI recruited and coordinated the participation of the Uzbek delegation of 22 (GOU and business representatives) at the Issik - Kul Regional Trade Conference during June 28 – July 2. The delegation actively participated at the conference, made relevant presentations and participated at the working group discussions with other delegations from other Central Asian countries, which resulted in the joint resolution of the conference.

Dale Torrence, has reviewed the plan (concept) for the development of customs and is reviewing the draft legislation that was developed by the Customs committee. He is mostly completed with this task and will finalize it by the end of September. During his visit, Dale Torrence also visited Kyrgyzstan, Tajikistan and Kazakhstan for meetings with their Customs authorities.

During the period of June-September, TFI has met regularly with AFER to discuss issues and coordinate all activities. On September 12, during the meeting with the vice prime minister Ganiev, USAID Central Asian mission director and TFI Regional Chief of Party, it was established that TFY will continue to provide assistance to the GOU on the matters highlighted in the Memorandum. A seminar on negotiations is currently scheduled for the Fall when the expert can be available and when the Government has named a negotiations team.

The AD/CVD draft law was submitted to the Parliament in August 26 based on the recommendations made by TFI Expert (Allen Shinn). Many of the changes and recommendations were taken into account. The draft law passed the first reading, and shall be submitted for final ratification in December Parliament session.

During the period of August-September, TFI Tashkent has been in the process of hiring new replacements for the positions of TFI Country Manager and WTO Expert. Recruiting is in full swing and Pragma has been in contact with potential candidates almost daily TFY will continue the effort and are targeting to have someone here in October.

Progress toward PMP

Nothing to report on removal of concrete constraints during this period.

New Issues

During the meeting with USAID in September, TFI Chief of Party suggested that the USAID addresses the following issues with the GOU, specifically Vice Prime Minister Ganiev:

For the GOU to set up a technical working group staffed with full-time professionals. They may interpret that to be the Interministerial Working Group. The key point to make is that they need a full time professional staff dedicated to WTO and nothing else. Even if it is 4-5 people, it can become the center for technical work and coordination. Currently, the Agency for Foreign Economic Relations has one department with nominal responsibility for the effort.

Another matter where TFI needs political support from USAID is in setting up a group of GOU negotiators. It's important to have such a group comprised for the

Negotiations Training that TFI plans to hold in November. In order to the Training to be successful and bring some concrete results, it's crucial that the audience will be consisting of the members of the government that will be fully dealing with WTO matters and probably sent to the next Working Party Meeting in Geneva.